

Message Text

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PAGE 01 PEKING 01644 192350Z

11

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 SCI-06

NSCE-00 DRC-01 /161 W

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TO SECSTATE WASHDC 1158

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E.O. 11652: N/A

TAGS: ETRD EMIN CH

SUBJ: BUCYRUS-ERIE CONCLUDES SALE OF MINING EQUIPMENT
TO THE PRC

REF: A. PEKING 1245 B. PEKING 1605

1. SUMMARY. FINAL CONTRACTS HAVE BEEN SIGNED FOR THE SALE BY BUCYRUS-ERIE OF DOLS19.5 MILLION WORTH OF MINING EQUIPMENT TO THE PRC. BUCYRUS-ERIE ALSO HAS INDICATIONS THAT ANOTHER LARGE PRC PURCHASE MAY BE IN THE OFFING. END SUMMARY.

2. BUCYRUS-ERIE HAS CONCLUDED NEGOTIATIONS AND SIGNED CONTRACTS WITH THE CHINA NATIONAL MACHINERY IMPORT AND EXPORT CORPORATION (MACHIMPEX) FOR THE SALE TO THE PRC OF DOLS19.5 MILLION WORTH OF MINING EQUIPMENT. THIS IS THE SAME TRANSACTION FOR WHICH A PRELIMINARY PURCHASE AGREEMENT WAS SIGNED IN OCTOBER (REF A).

3. ACCORDING TO BUCYRUS-ERIE INTERNATIONAL SALES
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MANAGER, RICHARD ANDREWS, THE FINAL SALE INCLUDES 35

LARGE ROTARY DRILLS AND SEVEN LARGE ELECTRIC SHOVELS. ALL THE EQUIPMENT IS FOR IRON ORE AND WILL BE USED AT ANSHAN. ENGINEERS FROM ANSHAN WERE PRESENT THROUGHOUT THE NEGOTIATIONS, AND WILL PROBABLY VISIT THE UNITED STATES IN CONNECTION WITH THIS SALE. MACHIMPEX HAS NOT SAID DEFINITELY THAT A DELEGATION WILL GO, BUT THE CONTRACTS PROVIDE FOR A GROUP OF 10 TO VISIT BUCYRUS-ERIE FACILITIES FOR A PERIOD OF ONE MONTH. THE AGREEMENTS ALSO STIPULATE THAT BUCYRUS-ERIE PERSONNEL WILL HELP SUPERVISE THE ERECTION OF THE FIRST UNIT OF EACH TYPE OF EQUIPMENT PURCHASED BY THE CHINESE. DELIVERIES OF THE EQUIPMENT ARE SCHEDULED FROM FEBRUARY 1974 THROUGH JANUARY 1975.

4. THIS PHASE OF CONTRACT NEGOTIATIONS TOOK FOUR WEEKS. MAIN PROBLEM, ACCORDING TO ANDREWS, WAS MISUNDERSTANDING FROM EARLIER TALKS. BUCYRUS-ERIE QUOTATIONS, HE SAID WERE FOB PLANT AND NOT FOB PORT AS THE CHINESE HAD THOUGHT. MACHIMPEX WAS INSISTENT AND BUCYRUS-ERIE FINALLY CONCEDED THE POINT, ANDREWS SAID, BUT THE CHINESE MADE CONCESSIONS IN RETURN WITH RESPECT TO INLAND U.S. TRANSPORTATION COSTS AND DEMURRAGE CHARGES IN ORDER TO SOFTEN THE BLOW.

5. BUCYRUS-ERIE IS OPTIMISTIC ABOUT FUTURE SALES. THE CHINESE ASKED FOR QUOTATIONS ON 20 MORE LARGE SHOVELS AND OTHER EQUIPMENT, WHICH COULD LEAD TO ANOTHER DEAL IN THE DOLS 20 MILLION RANGE. AT A CELEBRATION BANQUET ATTENDED BY A U.S.L.O. OFFICER, MACHIMPEX OFFICIALS WERE UNUSUALLY EXPLICIT IN INDICATING THE LIKELIHOOD OF DOING MORE BUSINESS WITH BUCYRUS-ERIE.

6. IN REPLY TO OUR QUESTION ABOUT CHINESE PURCHASES OF BITS FOR THE BUCYRUS-ERIE DRILLS, ANDREWS EXPRESSED THE VIEW THAT THEY WILL INITIALLY SPREAD THEIR PURCHASES AMONG THE VARIOUS U.S. SUPPLIERS: DRESSER (SALE ALREADY CONCLUDED REF B.), HUGHES TOOL, REED TOOL, AND SMITH INTERNATIONAL.
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